

# Emerging Fund Manager Guide

  
**Intertrust**



Setting Up Your First  
Private Capital Fund

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# Introduction

This straightforward guide from the team at Intertrust will be of use to the next generation of managers: individuals looking to set up a private capital fund for the first time. It should help, not just in terms of the key information they need to consider, but also highlight the pitfalls and blind spots that can be faced by first-time, spin off and emerging managers.

Intertrust has had great success over the years in helping managers launch their first fund. Our extensive knowledge of the sector, the relationships we've built with trusted advisers, lawyers and other professional partners, and our focus on the painstaking details that underpin all fund launches, have seen us support more and more new managers globally. A number of these trusted advisers and partners have contributed to this guide, as they see the value in supporting this market. Around a third of the managers we've helped have gone on to launch larger, subsequent funds and build successful careers for themselves.

This guide is broken down into six major areas that we believe can make your life easier in successfully launching a new fund. It also highlights the blind spots that are often overlooked.

- ① Fund structuring
- ② Fundraising
- ③ Fund administration at launch
- ④ Fund financing
- ⑤ Fund administration during the fund's life
- ⑥ Fund governance



# An investment and fundraising strategy in mind

Readers of this guide will already have an investment and fundraising strategy in mind. They're likely to be proven in their field and have a good degree of relevant experience and insight. They will have identified the type of assets, the investing region and have considered the amount of capital they wish to raise for their strategy to be successful.

This guide is being published at a time when interest in such vehicles continues to grow – both from those looking to set them up and from investors. We know, for instance, that many investors look to new managers for the niche, tactical, added-value investment opportunities that the larger funds may pass over or simply not be aware of. The opportunities and rewards for both continue to fuel interest and demand and, as such, there's a need to make sure that emerging fund managers get it right first time.

A report from Preqin published in November 2017 – *Up & Away: Launching A First-Time Venture Capital Fund* – showed just how dynamic the market has become.

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As at September 2017, Preqin reported more than 590 first-time or spin-off venture capital fund managers raising capital worldwide, up from 470 in 2016. It also stated that over 31% of the venture capital funds that reached a final close in 2017 were first-time funds, compared to 25% in 2016.

One of the key drivers of this growth was performance. As Preqin noted: "When comparing the returns generated by 2006-2014 vintage venture capital funds, first-time managers generally outperform the pool of experienced venture capital managers.

The median net IRR for 2006-2014 vintage first-time venture capital funds (+12.9%) sits a full three percentage points higher than that of experienced managers (+9.9%), with risk levels (measured by standard deviation of net IRR) at 19.1% and 15.6% respectively."

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## A REFLECTION OF THE MARKET INTEREST

Intertrust is working with more emerging fund managers. This guide is a response to the market interest and some of the many conversations we're having with managers looking to launch a fund for the first time. A significant part of our success comes from taking as much administrative 'weight' off the managers' shoulders as possible – leaving them the time and space to focus on running the fund.

Over the past few years, we've consistently invested in our own people, processes and technology to fully support the aspirations of our existing client base and the next generation of managers breaking through. This dedication to 'best practice' is at the heart of our relationship-based business model.

One of the most notable characteristics of new managers we've noticed is their **passion**. Many come to us with compelling, exciting ideas that they clearly and passionately believe in – fuelled by strong growth opportunities. This desire is infectious and, from our point of view, adds additional momentum to the support that we provide.

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It's exactly these sorts of managers that we want to work with, as we believe their growth and their passion will enrich our staff and help grow our business.

We're fortunate to have had input from other stakeholders in the industry for some of the content of this guide. Their contributions provide readers with valuable and compelling insights, and we're very grateful for their participation.

We hope you find this document insightful and useful. If you're interested in setting up a fund for the first time and need to talk things through in more detail, please get in touch with us. Our promise is to match your passion with our own.

**Paul Lawrence, Global Head of Funds, Intertrust**

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